CHART INDUSTRIES INC
Form 10-Q
October 18, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2018
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number 1-11442

CHART INDUSTRIES, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	34-1712937
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

3055 Torrington Drive, Ball Ground, Georgia 30107
(Address of Principal Executive Offices) (ZIP Code)
(770) 721-8800
(Registrant’s Telephone Number, Including Area Code)
NOT APPLICABLE
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this Chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨
		Emerging growth company	¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x
At October 15, 2018, there were 31,204,061 outstanding shares of the Company’s Common Stock, par value $0.01 per share.

CHART INDUSTRIES, INC.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Dollars in millions, except per share amounts)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 157.2	$ 122.6
Accounts receivable, less allowances of $9.6 and $9.1	177.3	196.4
Inventories, net	188.2	173.7
Unbilled contract revenue	34.2	36.5
Prepaid expenses	10.2	14.4
Other current assets	14.0	23.7
Current assets of discontinued operations	86.7	66.7
Total Current Assets	667.8	634.0
Property, plant, and equipment, net	288.4	285.0
Goodwill	457.2	459.7
Identifiable intangible assets, net	270.3	286.4
Other assets	18.1	21.4
Non-current assets of discontinued operations	36.7	38.2
TOTAL ASSETS	$ 1,738.5	$ 1,724.7
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 94.8	$ 105.4
Customer advances and billings in excess of contract revenue	94.5	109.6
Accrued salaries, wages, and benefits	34.3	46.4
Current portion of warranty reserve	8.6	11.5
Short-term debt and current portion of long-term debt	9.7	58.9
Other current liabilities	39.5	39.9
Current liabilities of discontinued operations	31.4	15.9
Total Current Liabilities	312.8	387.6
Long-term debt	500.5	439.2
Long-term deferred tax liabilities	55.3	62.1
Accrued pension liabilities	8.4	9.4
Other long-term liabilities	17.1	18.6
Non-current liabilities of discontinued operations	3.4	2.6
Total Liabilities	897.5	919.5
Equity		
Common stock, par value $0.01 per share – 150,000,000 shares authorized, 31,203,186 and 30,804,832 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	0.3	0.3
Additional paid-in capital	452.8	445.7
Retained earnings	406.9	364.3

Accumulated other comprehensive loss	(23.2)	(8.1)
Total Chart Industries, Inc. Shareholders’ Equity	836.8	802.2
Noncontrolling interests	4.2	3.0
Total Equity	841.0	805.2
TOTAL LIABILITIES AND EQUITY	$ 1,738.5	$ 1,724.7

The balance sheet at December 31, 2017 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements.

See accompanying notes to these unaudited condensed consolidated financial statements.

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (UNAUDITED)
(Dollars and shares in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sales	$272.2	$202.7	$794.2	$573.5
Cost of sales	189.9	144.8	572.2	415.0
Gross profit	82.3	57.9	222.0	158.5
Selling, general, and administrative expenses	45.8	48.1	140.5	133.9
Amortization expense	5.0	2.6	15.7	7.0
Operating expenses	50.8	50.7	156.2	140.9
Operating Income	31.5	7.2	65.8	17.6
Other expenses:				
Interest expense, net	5.3	4.8	17.9	13.0
Financing costs amortization	0.3	0.3	1.0	1.0
Foreign currency (gain) loss and other	(0.3)	1.4	(0.2)	3.1
Other expenses, net	5.3	6.5	18.7	17.1
Income from continuing operations before income taxes	26.2	0.7	47.1	0.5
Income tax expense	4.2	0.7	9.7	0.6
Net income (loss) from continuing operations	22.0	—	37.4	(0.1)
Income from discontinued operations, net of tax	0.7	2.1	4.7	2.6
Net Income	22.7	2.1	42.1	2.5
Less: Income attributable to noncontrolling interests of continuing operations, net of taxes	0.5	0.6	1.8	1.1
Net income attributable to Chart Industries, Inc.	$22.2	$1.5	$40.3	$1.4
Net income (loss) attributable to Chart Industries, Inc.				
Income (loss) from continuing operations	$21.5	$(0.6)	$35.6	$(1.2)
Income from discontinued operations, net of tax	0.7	2.1	4.7	2.6
Net income attributable to Chart Industries, Inc.	$22.2	$1.5	$40.3	$1.4
Basic earnings (loss) per common share attributable to Chart Industries, Inc.				
Income (loss) from continuing operations	$0.70	$(0.02)	$1.15	$(0.04)
Income from discontinued operations	0.02	0.07	0.15	0.08
Net income attributable to Chart Industries, Inc.	$0.72	$0.05	$1.30	$0.04
Diluted earnings (loss) per common share attributable to Chart Industries, Inc.				
Income (loss) from continuing operations	$0.65	$(0.02)	$1.11	$(0.04)
Income from discontinued operations	0.02	0.07	0.14	0.08
Net income attributable to Chart Industries, Inc.	$0.67	$0.05	$1.25	$0.04
Weighted-average number of common shares outstanding:				
Basic	31.03	30.76	30.97	30.73
Diluted	32.95	31.31	32.14	31.29
Comprehensive income, net of taxes	$16.9	$10.4	$26.8	$25.1
Less: Comprehensive income attributable to noncontrolling interests, net of taxes	0.8	0.7	1.6	1.2
Comprehensive income attributable to Chart Industries, Inc., net of taxes	$16.1	$9.7	$25.2	$23.9

See accompanying notes to these unaudited condensed consolidated financial statements.

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in millions)

	Nine Months Ended September 30,	
	2018	2017
OPERATING ACTIVITIES		
Net income	$42.1	$2.5
Less: Income from discontinued operations	4.7	2.6
Income (loss) from continuing operations	37.4	(0.1)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36.9	25.2
Interest accretion of convertible notes discount	7.3	10.0
Employee share-based compensation expense	3.5	9.1
Financing costs amortization	1.0	1.0
Unrealized foreign currency transaction (gain) loss	(1.0)	0.2
Other non-cash operating activities	1.3	1.0
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	23.5	(5.6)
Inventory	(28.7)	(27.1)
Unbilled contract revenues and other assets	10.2	(18.5)
Accounts payable and other liabilities	(25.7)	11.7
Customer advances and billings in excess of contract revenue	(2.1)	7.4
Net Cash Provided By Operating Activities	63.6	14.3
INVESTING ACTIVITIES		
Capital expenditures	(26.4)	(21.8)
Acquisition of businesses, net of cash acquired	(12.5)	(446.0)
Proceeds from sale of assets	—	0.9
Government grants	0.8	0.4
Net Cash Used In Investing Activities	(38.1)	(466.5)
FINANCING ACTIVITIES		
Borrowings on revolving credit facilities	188.3	302.2
Repayments on revolving credit facilities	(123.3)	(5.1)
Repurchase of convertible notes	(57.1)	—
Repayments on term loan	(3.0)	—
Payments for debt issuance costs	(0.2)	—
Proceeds from exercise of stock options	5.4	1.1
Common stock repurchases	(2.4)	(2.0)
Dividend distribution to noncontrolling interest	(0.4)	—
Net Cash Provided By Financing Activities	7.3	296.2
DISCONTINUED OPERATIONS		
Cash Provided By Operating Activities [1]	1.5	3.2
Cash (Used In) Investing Activities [2]	(0.8)	(1.6)
Cash Provided By Discontinued Operations	0.7	1.6
Effect of exchange rate changes on cash and cash equivalents	(6.7)	4.9
Net increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	26.8	(149.5)
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of period [3]	131.4	282.9

CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS AT END OF PERIOD [3]	$158.2	$133.4

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(1) Includes depreciation expense of $1.3 and $1.2 for the nine months ended September 30, 2018 and 2017, respectively. Includes amortization expense of $1.8 and $2.2 for the nine months ended September 30, 2018 and 2017, respectively.

(2) Includes capital expenditures of $0.8 and $1.6 for the nine months ended September 30, 2018 and 2017, respectively.

(3) Includes restricted cash and restricted cash equivalents of $1.0 in other assets at September 30, 2018 and $8.7 ($7.7 in other current assets and $1.0 in other assets) at both December 31, 2017 and September 30, 2017. For further information regarding restricted cash and restricted cash equivalents balances, refer to Note 7, “Debt and Credit Arrangements.”

See accompanying notes to these unaudited condensed consolidated financial statements.

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements – September 30, 2018
(Dollars and shares in millions, except per share amounts)

NOTE 1 — Basis of Preparation

The accompanying unaudited condensed consolidated financial statements of Chart Industries, Inc. and its consolidated subsidiaries (herein referred to as the "Company," "Chart," "we," "us," or "our") have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for annual financial statements. These financial statements should be read in conjunction with the audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018.

Nature of Operations: We are a leading diversified global manufacturer of highly engineered equipment for the industrial gas, energy, and biomedical industries. Chart's equipment and engineered systems are primarily used for low-temperature and cryogenic applications utilizing our expertise in cryogenic systems and equipment which operate at low temperatures sometimes approaching absolute zero (0 Kelvin; -273° Centigrade; -459° Fahrenheit). We have domestic operations located across the United States, including principal executive offices located in Georgia, and an international presence in Asia, Australia, Europe, and Latin America.

Principles of Consolidation: The unaudited condensed consolidated financial statements include the accounts of Chart Industries, Inc. and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Reclassifications: Certain reclassifications have been made to prior year financial information in the unaudited condensed consolidated financial statements in order to conform to the discontinued operations presentation as further discussed in Note 2, "Discontinued Operations" and the reportable segments restructuring as further discussed in Note 3, "Reportable Segments."

Use of Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Recently Issued Accounting Standards: In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-15, "Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." This ASU clarifies the accounting treatment for implementation costs for cloud computing arrangements (hosting arrangements) that is a service contract. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.

In August 2018, the FASB issued ASU 2018-14, "Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." This ASU adds, modifies and clarifies several disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. This guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." This ASU adds, modifies and removes several disclosure requirements relative to the three levels of inputs used to measure fair value in accordance with Topic 820, "Fair Value Measurement." This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within that fiscal year. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.

In July 2018, the FASB issued ASU 2018-09, “Codification Improvements.” This ASU makes amendments to multiple codification Topics. The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this ASU do not require transition guidance and will be effective upon issuance of this ASU. However, many of the amendments in this ASU do have transition guidance with effective dates for annual periods beginning after December

15, 2018. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.
In June 2018, the FASB issued ASU 2018-07, "Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting." This ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This ASU also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Revenue from Contracts with Customers (Topic 606). This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.
In February 2018, the FASB issued ASU 2018-02, "Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." The FASB issued this update to provide amended guidance to "allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act." Additionally, under the new guidance an entity will be required to provide certain disclosures regarding stranded tax effects. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those years, and this guidance may be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.
In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." This ASU expands and enhances hedge accounting to become more closely aligned with an entity's risk management activities through hedging strategies. This ASU provides changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results in the financial statements and creates more transparency and better understandability around how economic results are presented in the financial statements. In addition, the new guidance makes certain targeted improvements to ease the application of accounting guidance relative to hedge effectiveness. This guidance will be applied prospectively for annual periods and interim periods beginning after December 15, 2018. Early adoption is permitted. We are currently assessing the effect that this ASU will have on our financial position, results of operations, and disclosures.
In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." The FASB issued this update to require the recognition of lease assets and lease liabilities on the balance sheet of lessees. In July 2018, the FASB issued ASU 2018-11, "Leases (Topic 842): Targeted Improvements" and ASU 2018-10, "Codification Improvements to Topic 842, Leases." ASU 2016-02 and the subsequent modifications are identified as "ASC 842." ASC 842 will be effective for fiscal years beginning after December 15, 2018, including interim periods within such fiscal years. ASC 842 requires a modified retrospective transition method with the option to elect a package of practical expedients. Early adoption is permitted. We expect adoption to increase the assets and liabilities recorded on our unaudited condensed consolidated balance sheet and increase the level of disclosures related to leases. In addition, we are in the process of identifying appropriate changes to our accounting policies, information technology systems, business processes, and related internal controls to support recognition and disclosure requirements under ASC 842. We expect to design any necessary changes to our business processes, controls and systems in the near future and implement the changes over the remainder of 2018.
Recently Adopted Accounting Standards: In March 2018, the FASB issued ASU 2018-05, "Income Taxes (Topic 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." This ASU adds various Securities and Exchange Commission ("SEC") paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which

was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities' ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Cuts and Jobs Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Tax Cuts and Jobs Act are incomplete by the due date of the financial statements and if possible to provide a reasonable estimate. We have accounted for the tax effects of the Tax Cuts and Jobs Act under the guidance of SAB 118, on a provisional basis. Our accounting for certain income tax effects is incomplete, but we have determined reasonable estimates for those effects and have recorded provisional amounts in our unaudited condensed consolidated financial statements as of September 30, 2018 and December 31, 2017.

In May 2017, the FASB issued ASU 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting." The FASB issued this guidance to provide clarity as to when modification accounting should be applied when there is a change to the terms or conditions of a share-based payment award in order to prevent diversity in practice. This ASU requires modification accounting to be applied unless all of the following conditions exist: (1) the fair value of the modified award is the same as the fair value of the original award before the original award is modified; if the modification does not affect any of the inputs to the valuation, the entity is not required to estimate the value immediately before and after the modification; (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award before it was modified; and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award before it was modified. This guidance will be applied prospectively for annual periods and interim periods beginning after December 15, 2017. We adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial position, results of operations, and disclosures.

In March 2017, the FASB issued ASU 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The new guidance requires companies with sponsored defined benefit pension and/or other postretirement benefit plans to present the service cost component of net periodic benefit cost in the same income statement line item as other compensation costs. The other components of net periodic benefit cost will be presented separately and not included in operating income. In addition, only service costs are eligible to be capitalized as an asset. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those years, and this guidance will generally be applied retrospectively, whereas the capitalization of the service cost component will be applied prospectively. We adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial position, results of operations, and disclosures.

In January 2017, the FASB issued ASU 2017-01 "Business Combinations (Topic 805): Clarifying the Definition of a Business." This ASU provides guidance to evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. If substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single asset or a group of similar assets, the assets acquired (or disposed of) are not considered a business. This guidance will be applied prospectively for annual periods and interim periods beginning after December 15, 2017. We adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial position, results of operations, and disclosures.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." The FASB issued this update to clarify how entities should classify certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. This standard will be effective for fiscal years beginning after December 15, 2017, including interim periods within those years, and this guidance will generally be applied retrospectively. We adopted this guidance effective January 1, 2018. The adoption of this guidance did not have a material impact on our financial position, results of operations, and disclosures.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" and subsequently issued additional guidance that modified ASU 2014-09. ASU 2014-09 and the subsequent modifications are identified as "ASC 606". ASC 606 replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and provides for expanded disclosure requirements. This update requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification.

On January 1, 2018, we adopted ASC 606 using the modified retrospective method. We applied this standard to contracts that were not completed as of the adoption date. We recognized the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be presented according to accounting standards in effect for those periods.

As a result of the adoption of ASC 606, we changed our accounting policy for revenue recognition. Refer to Note 4, “Revenue” for further information.

Impacts on Financial Statements

The following table summarizes the cumulative effect of the changes to our unaudited condensed consolidated balance sheet as of January 1, 2018 from the adoption of ASC 606:

CHART INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements – September 30, 2018
(Dollars and shares in millions, except per share amounts) – Continued

	Balance at December 31, 2017	Adjustments due to ASC 606	Balance at January 1, 2018
Assets			
Inventories, net	$ 173.7	$ (11.6)	$ 162.1
Unbilled contract revenue	36.5	6.5	43.0
Prepaid expenses	14.4	(1.6)	12.8
Liabilities			
Accounts payable	$ 105.4	$ 0.2	$ 105.6
Customer advances and billings in excess of contract revenue	109.6	(9.9)	99.7
Other current liabilities	39.9	0.1	40.0
Long-term deferred tax liabilities	62.1	0.6	62.7
Equity			
Retained earnings	$ 364.3	$ 2.3	$ 366.6

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CHART INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements – September 30, 2018
(Dollars and shares in millions, except per share amounts) – Continued

The following tables summarize the current period impacts of adopting ASC 606 on our unaudited condensed consolidated balance sheet and statement of operations:

	September 30, 2018		
	As Reported	Balances without adoption of ASC 606	Effect of adoption Higher (Lower)
Assets			
Accounts receivable, net of allowances	$177.3	$ 176.5	$ 0.8
Inventories, net	188.2	207.7	(19.5)
Unbilled contract revenue	34.2	25.6	8.6
Liabilities			
Customer advances and billings in excess of contract revenue	$94.5	$ 110.2	$ (15.7)
Other current liabilities	39.5	38.3	1.2
Long-term deferred tax liabilities	55.3	54.3	1.0
Equity			
Retained earnings	$406.9	$ 403.5	$ 3.4

	For the Three Months Ended September 30, 2018		
	As Reported	Balances without adoption of ASC 606	Effect of adoption Higher (Lower)
Sales	$272.2	$ 275.0	$ (2.8)
Cost of sales	189.9	192.3	(2.4)
Selling, general, and administrative expenses	45.8	46.2	(0.4)
Income tax expense	4.2	4.2	—
Net income from continuing operations attributable to Chart Industries, Inc.	21.5	21.6	(0.1)
Net income from continuing operations attributable to Chart Industries, Inc. per common share:			
Basic	$0.70	$ 0.70	$ —
Diluted	$0.65	$ 0.65	$ —

	For the Nine Months Ended September 30, 2018		
	As Reported	Balances without adoption of ASC 606	Effect of adoption Higher (Lower)
Sales	$794.2	$ 785.8	$ 8.4

Cost of sales	572.2	565.2	7.0
Selling, general, and administrative expenses	140.5	140.7	(0.2)
Income tax expense	9.7	9.3	0.4
Net income from continuing operations attributable to Chart Industries, Inc.	35.6	34.5	1.1
Net income from continuing operations attributable to Chart Industries, Inc. per common share:			
Basic	$1.15	$ 1.11	$ 0.04
Diluted	$1.11	$ 1.08	$ 0.03

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(Dollars and shares in millions, except per share amounts) – Continued

NOTE 2 — Discontinued Operations

On September 28, 2018, we signed a definitive agreement to sell all of the equity interests in our oxygen-related products business within our BioMedical segment to NGK Spark Plug Co., Ltd. for $133.5 (the "Divestiture"). The sale is expected to close within the fourth quarter of 2018, following the satisfaction of customary closing conditions, including regulatory requirements. The strategic decision to divest the oxygen-related products business reflects our strategy and capital allocation approach to focus on our core capabilities and offerings.

As a result of the Divestiture, the asset group, which includes our respiratory and on-site generation systems businesses, met the criteria to be held for sale. Furthermore, we determined that the assets held for sale qualify for discontinued operations. As such, the financial results of the respiratory therapy and on-site generation systems businesses are reflected in our unaudited condensed consolidated statements of operations and comprehensive income as discontinued operations for all periods presented. Furthermore, current and non-current assets and liabilities of discontinued operations are reflected in the unaudited condensed consolidated balance sheets for both periods presented.

Summarized Financial Information of Discontinued Operations

The following table represents income from discontinued operations, net of tax:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sales	$43.0	$37.8	$120.6	$109.3
Cost of sales	31.3	25.3	87.1	78.5
Selling, general and administrative expenses	6.8	8.6	21.4	25.5
Amortization expense	0.6	0.7	1.8	2.2
Operating income [1]	4.3	3.2	10.3	3.1
Other expenses (income), net	0.4	(0.1)	0.6	(1.2)
Income before income taxes	3.9	3.3	9.7	4.3
Income tax expense [2]	3.2	1.2	5.0	1.7
Income from discontinued operations, net of tax	$0.7	$2.1	$4.7	$2.6

(1) Includes depreciation expense of $0.4 for both the three months ended September 30, 2018 and 2017. Includes depreciation expense of $1.3 and $1.2 for the nine months ended September 30, 2018 and 2017, respectively.

(2) Income tax expense of $3.2 and $1.2 for the three months ended September 30, 2018 and 2017, respectively, represents taxes on both U.S. and foreign earnings at a combined effective income tax rate of 82.1% and 36.4%, respectively. Income tax expense of $5.0 and $1.7 in the nine months ended September 30, 2018 and 2017, respectively, represents taxes on both U.S. and foreign earnings at a combined effective income tax rate of 51.5% and 39.5%, respectively.

The effective income tax rate of 82.1% and 51.5% for the three and nine months ended September 30, 2018 differed from the U.S. federal statutory rate of 21% primarily due to the effect of U.S. and foreign tax costs directly related to the Divestiture.

The effective income tax rate of 36.4% and 39.5% for the three and nine months ended September 30, 2017 differed from the U.S. federal statutory rate of 35% primarily due to the effect of certain losses recorded in the UK for which no tax benefit is recorded.

(Dollars and shares in millions, except per share amounts) – Continued

The following table represents the assets and liabilities from discontinued operations:

	September 30, 2018	December 31, 2017
Accounts receivable, net	$ 30.4	$ 26.3
Inventories, net	50.5	35.2
Unbilled contract revenue	0.7	0.5
Prepaid expenses	1.2	1.0
Other current assets	3.9	3.7
Current assets of discontinued operations	$ 86.7	$ 66.7
Property, plant, and equipment, net	$ 13.0	$ 12.6
Goodwill	9.1	9.1
Identifiable intangible assets, net	14.3	16.1
Other assets	0.3	0.4
Non-current assets of discontinued operations	$ 36.7	$ 38.2
Accounts payable	$ 20.1	$ 8.6
Customer advances and billings in excess of contract revenue	1.6	0.6
Accrued salaries, wages, and benefits	4.6	2.7
Current portion of warranty reserve	2.2	2.6
Other current liabilities	2.9	1.4
Current liabilities of discontinued operations	$ 31.4	$ 15.9
Long-term deferred tax liabilities	$ 0.4	$ 0.4
Other long-term liabilities	3.0	2.2
Non-current liabilities of discontinued operations	$ 3.4	$ 2.6

NOTE 3 — Reportable Segments

As previously reported in our Annual Report on Form 10-K for the year ended December 31, 2017, the structure of our internal organization was divided into the following reportable segments, which were also our operating segments: Energy & Chemicals (“E&C”), Distribution & Storage (“D&S”), and BioMedical. During the third quarter of 2018, we executed a strategic realignment of our segment structure and divided our D&S segment into two segments: Distribution & Storage Western Hemisphere (“D&S West”) and Distribution & Storage Eastern Hemisphere (“D&S East”). We believe these changes will facilitate our growth strategies, better align with our customer needs, and provide improved transparency of business results to our shareholders.

As a result of these events and the divestiture of the respiratory therapy and on-site generation systems businesses described below, our reportable and operational segments now include: E&C, D&S West and D&S East. Our reportable segments are business units that are each managed separately. Our E&C segment manufactures, offers, and distributes distinct products with different production processes as compared to both our D&S West and D&S East segments. Furthermore, in conjunction with our strategic realignment, including preparation for the VRV Acquisition discussed in Note 9, “Business Acquisitions”, we have split responsibility for the two segments under different business leaders and associated internal reporting responsibilities. Our D&S West segment has principal operations in the United States and Latin America and primarily serves the Americas geographic region while our D&S East segment has principal operations in Europe and Asia and primarily serves the geographic regions of Europe, Middle East and Asia (including China).

Additionally, in connection with the Divestiture discussed in Note 2, “Discontinued Operations,” the financial results of the respiratory therapy and on-site generation systems businesses are reflected in our unaudited condensed consolidated statements of operations and comprehensive income as discontinued operations for all periods presented. The remaining former BioMedical segment business, cryobiological storage systems, is now part of D&S West because it has similarities in primary customer and manufacturing regions, technology and manufacturing processes with other D&S West product lines, and it is also now led by the same business leadership team and reviewed and managed internally within D&S West. Financial information for cryobiological storage systems is shown in all tables for D&S West.

(Dollars and shares in millions, except per share amounts) – Continued

All of our segments manufacture products used primarily in energy-related and industrial applications, such as the separation, liquefaction, distribution, and storage of hydrocarbon and industrial gases. The D&S West segment also supplies cryogenic and other equipment used in the medical, biological research, and animal breeding industries. Corporate includes operating expenses for executive management, accounting, tax, treasury, corporate development, human resources, information technology, investor relations, legal, internal audit, and risk management. Corporate support functions are not currently allocated to the segments.

We evaluate performance and allocate resources based on operating income or loss from continuing operations before interest expense, net, financing costs amortization, foreign currency (gain) loss, income tax expense, and income attributable to noncontrolling interests, net of taxes.

	Three Months Ended September 30, 2018					
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Corporate	Consolidated
Sales to external customers	$98.1	$119.0	$56.8	$ (1.7)	$ —	$ 272.2
Depreciation and amortization expense	6.5	2.8	2.5	—	0.3	12.1
Operating income (loss) (1) (2) (4)	12.1	31.9	3.3	(0.5)	(15.3)	31.5
Capital expenditures	3.8	1.3	2.5	—	0.8	8.4

	Three Months Ended September 30, 2017					
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Corporate	Consolidated
Sales to external customers	$46.6	$99.6	$63.2	$ (6.7)	$ —	$ 202.7
Depreciation and amortization expense	3.3	2.6	2.7	—	0.5	9.1
Operating income (loss) (1) (2) (3) (4)	0.3	23.1	5.6	(1.4)	(20.4)	7.2
Capital expenditures	2.8	0.6	1.3	—	1.7	6.4

	Nine Months Ended September 30, 2018					
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Corporate	Consolidated
Sales to external customers	$288.8	$337.2	$174.3	$ (6.1)	$ —	$ 794.2
Depreciation and amortization expense	19.6	8.4	7.9	—	1.0	36.9
Operating income (loss) (1) (2) (3) (4) (5)	20.8	77.7	13.5	(1.7)	(44.5)	65.8
Capital expenditures	11.9	4.7	6.0	—	3.8	26.4

	Nine Months Ended September 30, 2017					
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Corporate	Consolidated
Sales to external customers	$126.5	$295.6	$166.7	$ (15.3)	$ —	$ 573.5
Depreciation and amortization expense	9.0	7.8	6.6	—	1.8	25.2
Operating (loss) income (1) (2) (4)	(2.4)	62.3	11.8	(3.6)	(50.5)	17.6
Capital expenditures	7.4	3.4	8.7	—	2.3	21.8

(1)

Includes sales and operating income for Hudson, included in the E&C segment results since the acquisition date, September 20, 2017 as follows:

- Sales were $44.1 and $6.1 for the three months ended September 30, 2018 and 2017, respectively.
- Sales were $134.9 and $6.1 for the nine months ended September 30, 2018 and 2017, respectively.
- Operating income was $4.3 and $1.2 for the three months ended September 30, 2018 and 2017, respectively.

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- Operating income was $14.6 and $1.2 for the nine months ended September 30, 2018 and 2017, respectively.

(2) Includes restructuring costs of:
- $2.0 and $2.3 for the three months ended September 30, 2018 and 2017 respectively, and
- $3.5 and $8.5 for the nine months ended September 30, 2018 and 2017 respectively.

(3) Includes an expense of $3.8 recorded to cost of sales related to the estimated costs of the aluminum cryobiological tank recall for the nine months ended September 30, 2018.

(4) Includes transaction-related costs of:
- $2.0 and $7.4 for the three months ended September 30, 2018 and 2017, respectively, and
- $4.1 and $8.6 for the nine months ended September 30, 2018 and 2017, respectively.

(5) Includes net severance costs of $0.9 related to headcount reductions associated with the strategic realignment of our segment structure, which includes $1.8 in payroll severance costs partially offset by a $0.9 credit due to related share-based compensation forfeitures for the nine months ended September 30, 2018. Includes net severance costs of $1.4 related to the departure of our former CEO on June 11, 2018, which includes $3.2 in payroll severance costs partially offset by a $1.8 credit due to related share-based compensation forfeitures for the nine months ended September 30, 2018.

Product Sales Information

	Three Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$63.5	$—	$—	$ —	$ 63.5
Liquefied natural gas (LNG) applications	12.4	20.5	11.8	(0.4)	44.3
Industrial gas applications	3.4	—	—	—	3.4
HVAC, power and refining applications	18.8	—	—	—	18.8
Bulk industrial gas applications	—	41.1	31.8	(0.4)	72.5
Packaged gas industrial applications	—	37.2	13.2	(0.9)	49.5
Cryobiological storage	—	20.2	—	—	20.2
Total	$98.1	$119.0	$56.8	$ (1.7)	$ 272.2

	Three Months Ended September 30, 2017				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$27.3	$—	$—	$ —	$ 27.3
Liquefied natural gas (LNG) applications	5.5	13.5	26.2	(5.8)	39.4
Industrial gas applications	11.6	—	—	—	11.6
HVAC, power and refining applications	2.2	—	—	—	2.2
Bulk industrial gas applications	—	35.1	26.5	(0.9)	60.7
Packaged gas industrial applications	—	34.2	10.5	—	44.7
Cryobiological storage	—	16.8	—	—	16.8
Total	$46.6	$99.6	$63.2	$ (6.7)	$ 202.7

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	Nine Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$191.2	$—	$—	$ —	$ 191.2
Liquefied natural gas (LNG) applications	28.5	54.4	48.3	(2.0)	129.2
Industrial gas applications	9.8	—	—	—	9.8
HVAC, power and refining applications	59.3	—	—	—	59.3
Bulk industrial gas applications	—	105.7	85.8	(1.2)	190.3
Packaged gas industrial applications	—	117.8	40.2	(2.9)	155.1
Cryobiological storage	—	59.3	—	—	59.3
Total	$288.8	$337.2	$174.3	$ (6.1)	$ 794.2

	Nine Months Ended September 30, 2017				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$91.6	$—	$—	$ —	$ 91.6
Liquefied natural gas (LNG) applications	16.7	45.0	67.1	(11.6)	117.2
Industrial gas applications	16.0	—	—	—	16.0
HVAC, power and refining applications	2.2	—	—	—	2.2
Bulk industrial gas applications	—	94.2	64.7	(3.5)	155.4
Packaged gas industrial applications	—	99.4	34.9	(0.2)	134.1
Cryobiological storage	—	57.0	—	—	57.0
Total	$126.5	$295.6	$166.7	$ (15.3)	$ 573.5

Total Assets	September 30, 2018	December 31, 2017
Energy & Chemicals	$ 755.4	$ 784.1
D&S West	435.0	415.7
D&S East	321.2	327.3
Corporate	103.5	92.7
Discontinued Operations	123.4	104.9
Total	$ 1,738.5	$ 1,724.7

NOTE 4 — Revenue

Significant changes to our accounting policies as a result of adopting ASC 606 are discussed below. Other significant accounting policies are detailed in “Note 2 — Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended December 31, 2017.

Revenue Recognition: Revenue is recognized when (or as) we satisfy performance obligations by transferring a promised good or service, an asset, to a customer. An asset is transferred to a customer when, or as, the customer obtains control over that asset. In most contracts, the transaction price includes both fixed and variable consideration. The variable consideration contained within our contracts with customers includes discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and other similar items. When a contract includes variable consideration, we evaluate the estimate of the variable consideration to determine whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimates are updated at each reporting date. When a contract includes multiple performance obligations, the contract price is allocated among the performance obligations based upon the stand alone selling prices. When the period between when we transfer a promised good or service to a customer and when the customer pays for that good or service is expected, at contract inception, to be one year or less, we do not adjust for the effects of a significant financing component.

For brazed aluminum heat exchangers, air cooled heat exchangers, cold boxes, liquefied natural gas fueling stations, engineered tanks, and repair services, most contracts contain language that transfers control to the customer over time. For these contracts, revenue is recognized as we satisfy the performance obligations by an allocation of the transaction price to the accounting period computed using input methods such as costs incurred. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The costs incurred input method measures progress toward the satisfaction of the performance obligation by multiplying the transaction price of the performance obligation by the percentage of incurred costs as of the balance sheet date to the total estimated costs at completion after giving effect to the most current estimates. Timing of amounts billed on contracts varies from contract to contract and could cause significant variation in working capital needs. Revisions to estimated cost to complete that result from inefficiencies in our performance that were not expected in the pricing of the contract are expensed in the period in which these inefficiencies become known. Contract modifications can change a contract's scope, price, or both. Approved contract modifications are accounted for as either a separate contract or as part of the existing contract depending on the nature of the modification.

For standard industrial gas and LNG tanks and some products identified in the prior paragraph with contract language that does not meet the over time recognition requirements, the contract with the customer contains language that transfers control to the customer at a point in time. For these contracts, revenue is recognized when we satisfy our performance obligation to the customer. Timing of amounts billed on contracts varies from contract to contract. The specific point in time when control transfers depends on the contract with the customer, contract terms that provide for a present obligation to pay, physical possession, legal title, risk and rewards of ownership, acceptance of the asset, and bill-and-hold arrangements may impact the point in time when control transfers to the customer.

Incremental contract costs are expensed when incurred when the amortization period of the asset that would have been recognized is one year or less; otherwise, incremental contract costs are recognized as an asset and amortized over time as promised goods and services are transferred to a customer. When losses are expected to be incurred on a contract, we recognize the entire anticipated loss in the accounting period when the loss becomes evident. The loss is recognized when the current estimate of the consideration we expect to receive, modified to include unconstrained variable consideration instead of constrained variable consideration, is less than the current estimate of total costs for the contract.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by us from a customer, are excluded from revenue.

Shipping and handling fee revenues and the related expenses are reported as fulfillment revenues and expenses for all customers because we have adopted the practical expedient contained in ASC 606-10-25-18B. Therefore, all shipping and handling costs associated with outbound freight are accounted for as a fulfillment costs and are included in cost of sales.

Contract Balances

Accounts receivable, net of allowances: Accounts receivable includes amounts billed and currently due from customers. The amounts due are stated at their net estimated realizable value. We maintain an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. The allowance is based upon an assessment of customer creditworthiness, historical payment experience, the age of outstanding receivables and collateral to the extent applicable. Past-due trade receivable balances are written off when our internal collection efforts have been unsuccessful. As a practical expedient, we do not adjust the promised amount of consideration for

the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to a customer and when the customer pays for that product or service will be one year or less. We do not typically include extended payment terms in our contracts with customers.
Unbilled contract revenue: Unbilled contract revenue represents contract assets resulting from revenue recognized over time in excess of the amount billed to the customer and the amount billed to the customer is not just subject to the passage of time. Billing requirements vary by contract but are generally structured around the completion of certain milestones. These contract assets are generally classified as current.
Customer advances and billings in excess of contract revenue: Our contract liabilities consist of advance customer payments, billings in excess of revenue recognized and deferred revenue. Our contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. We classify advance customer payments and billings in excess of

(Dollars and shares in millions, except per share amounts) – Continued

revenue recognized as current. We classify deferred revenue as current or non-current based on the timing of when we expect to recognize revenue. The current portion of deferred revenue is included in customer advances and billings in excess of contract revenue in our unaudited condensed consolidated balance sheets. Long-term deferred revenue is included in other long-term liabilities in our unaudited condensed consolidated balance sheets.

The following table represents changes in our contract assets and contract liabilities balances:

	September 30, 2018	January 1, 2018	Year-to-date Change ($)	Year-to-date Change (%)
Contract assets				
Accounts receivable, net of allowances	$ 177.3	$ 196.4	(19.1)	9.7 %
Unbilled contract revenue	34.2	43.0	(8.8)	20.5 %
Contract liabilities				
Customer advances and billings in excess of contract revenue	$ 94.5	$ 99.7	(5.2)	5.2 %
Long-term deferred revenue	1.6	1.7	(0.1)	5.9 %

Revenue recognized for the three and nine months ended September 30, 2018 and 2017, that was included in the contract liabilities balance at the beginning of each year was $10.3 and $78.0, and $7.0, and $50.5, respectively. The amount of revenue recognized during the three and nine months ended September 30, 2018 from performance obligations satisfied or partially satisfied in previous periods as a result of changes in the estimates of variable consideration related to long-term contracts, was not significant.

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of firm signed purchase orders or other written contractual commitments from customers for which work has not been performed, or is partially completed, and excludes unexercised contract options and potential orders. As of September 30, 2018, the estimated revenue expected to be recognized in the future related to remaining performance obligations was $501.5. We expect to recognize revenue on approximately 87.8% of the remaining performance obligations over the next 12 months and 1.6% of the remaining performance obligations over the next 13 to 24 months, with the remaining balance recognized thereafter.

Disaggregation of Revenue

The following table represents a disaggregation of revenue by product application along with the reportable segment for each category:

	Three Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$63.5	$—	$—	$ —	$ 63.5
Liquefied natural gas (LNG) applications	12.4	20.5	11.8	(0.4)	44.3
Industrial gas applications	3.4	—	—	—	3.4
HVAC, power and refining applications	18.8	—	—	—	18.8
Bulk industrial gas applications	—	41.1	31.8	(0.4)	72.5
Packaged gas industrial applications	—	37.2	13.2	(0.9)	49.5
Cryobiological storage	—	20.2	—	—	20.2
Total	$98.1	$119.0	$56.8	$ (1.7)	$ 272.2

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	Nine Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Natural gas processing (including petrochemical) applications	$191.2	$—	$—	$ —	$ 191.2
Liquefied natural gas (LNG) applications	28.5	54.4	48.3	(2.0)	129.2
Industrial gas applications	9.8	—	—	—	9.8
HVAC, power and refining applications	59.3	—	—	—	59.3
Bulk industrial gas applications	—	105.7	85.8	(1.2)	190.3
Packaged gas industrial applications	—	117.8	40.2	(2.9)	155.1
Cryobiological storage	—	59.3	—	—	59.3
Total	$288.8	$337.2	$174.3	$ (6.1)	$ 794.2

The following table represents a disaggregation of revenue by timing of revenue along with the reportable segment for each category:

	Three Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Point in time	$18.9	$102.8	$55.0	$ (1.3)	$ 175.4
Over time	79.2	16.2	1.8	(0.4)	96.8
Total	$98.1	$119.0	$56.8	$ (1.7)	$ 272.2

	Nine Months Ended September 30, 2018				
	Energy & Chemicals	D&S West	D&S East	Intersegment Eliminations	Consolidated
Point in time	$66.5	$299.3	$157.0	$ (4.4)	$ 518.4
Over time	222.3	37.9	17.3	(1.7)	275.8
Total	$288.8	$337.2	$174.3	$ (6.1)	$ 794.2

NOTE 5 — Inventories

The following table summarizes the components of inventory:

	September 30, 2018	December 31, 2017
Raw materials and supplies	$ 86.7	$ 72.1
Work in process	32.5	37.1
Finished goods	69.0	64.5
Total inventories, net	$ 188.2	$ 173.7

The allowance for excess and obsolete inventory balance at September 30, 2018 and December 31, 2017 was $7.5 and $7.1, respectively.

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NOTE 6 — Goodwill and Intangible Assets
Goodwill
The following table represents the changes in goodwill by segment:

	Energy & Chemicals	D&S West	D&S East	Consolidated
Balance at December 31, 2017	$ 275.1	$ 147.3	$ 37.3	$ 459.7
Foreign currency translation adjustments	(1.2)	(0.7)	—	(1.9)
Goodwill acquired during the year	—	4.7	—	4.7
Purchase price adjustment [1]	(5.3)	—	—	(5.3)
Balance at September 30, 2018	$ 268.6	$ 151.3	$ 37.3	$ 457.2
Accumulated goodwill impairment loss at December 31, 2017	$ 64.6	$ 82.5	$ —	$ 147.1
Foreign currency translation adjustments	—	—	—	